

UNITED STATES FEDERAL COMMUNICATIONS COMMISSION

In Re Applications of:)	MM DOCKET No.: 99-153
)	
READING BROADCASTING, INC.)	File No.: BRCT-940407KI
For Renewal of License of)	
Station WTVE (TV), Channel 51)	
at Reading, Pennsylvania)	
)	
and)	
)	
ADAMS COMMUNICATIONS)	File No.: BPCT-94063KG
CORPORATION)	
For Construction Permit for)	
a New Television Station to)	
Operate on Channel 51,)	
Reading, Pennsylvania)	

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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

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Reading, Pennsylvania)	

Courtroom TWA, Room 363
The Portals
445 12th Street, SW
Washington, D.C. 20554

Wednesday,
January 12, 2000

The parties met, pursuant to the notice of the
Judge at 9:30 a.m.

BEFORE: HONORABLE RICHARD L. SIPPEL
Administrative Law Judge

APPEARANCES:

On behalf of Name of Reading Broadcasting, Inc.:

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I N D E X

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WITNESSES:DIRECTCROSSREDIRECTRECROSSDIRE

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E X H I B I T SIDENTIFIEDRECEIVEDREJECTEDReading Broadcasting, Inc.:

17-A	984	--
18	938	--
19	1003	1016
20	1012	1017
21	1017	1033
22	1034	1038
23	1039	1044
24	1048	1059

Adams Communications Corp.:

13	(Prev.)	993
14	(Prev.)	993
15	(Prev.)	993

P R O C E E D I N G S

(9:30 a.m.)

THE COURT: Please be seated.

I have just a short preliminary matter myself.

It's already on your e-mail, but I issued an order this morning. What it does, it gives an explanation as to why Adams Exhibit 33 through 38 were taken out of the record.

Would you mind, Mr. Cole -- This is just for information purposes, and what I've done is I've given two copies to the Court Reporter and I've instructed the Reporter to insert a copy of that order, that portion of the documents which will show that there is a gap as to those exhibits. So it's primarily for purposes of -- It's just showing in the document section of the record what, why there is that gap.

All right, that's all I have.

We have -- Go ahead.

MR. COLE: Your Honor --

THE COURT: I do have some things here too. I did have some documents that were delivered to me yesterday. One of them seems to be I guess the corrected version of the discrepancy report.

MR. COLE: Those are, I believe what was delivered to your office and office of counsel for the other parties yesterday were materials which will be useful in connection

1 with the examination of Mr. Kase. What we did was we
2 transcribed the discrepancy report for ease of everybody's
3 reference. These are informal transcriptions by us so that
4 we will all be working from the same text. Obviously if
5 they're mistranscribed, Mr. Kase can correct that. But
6 those are interpreted in anticipation of Mr. Kase's
7 examination today or tomorrow or whenever, so that we're all
8 working from a single set of documents. We're trying to get
9 this out as quickly as possible.

10 THE COURT: I take it these are not going to be
11 marked as exhibits.

12 MR. COLE: Not today, and they may not be when Mr.
13 Kase is examined, but those were aids in anticipation or
14 preparation for his examination. We wanted to make sure
15 that everybody had as much time as possible to look at them.

16 THE COURT: It sounds to me like that's a good
17 procedure to follow. Thus far I don't see any need to bring
18 these into the record, but they will be useful as aids.

19 MR. COLE: And certainly if during the examination
20 it becomes obvious that some or all of these should be put
21 in the record, we will so move them.

22 THE COURT: Reluctantly we will do that.

23 (Laughter)

24 THE COURT: The point is, they're not designed to
25 come into the record.

1 MR. COLE: Not right now, no.

2 THE COURT: Fine.

3 You also have, I also have a copy of the
4 stipulated facts document from the Berks County,
5 Pennsylvania Court of Common Pleas.

6 MR. COLE: Yes, Your Honor. That was offered and
7 received into evidence yesterday as Adams 41. I did not
8 have adequate copies for everyone yesterday. I made those
9 copies last night. I made sure the Reporter had two, gave
10 Your Honor one, provided one to the Bureau's Chair today,
11 and I will follow up with Mr. Shook [ph] to make sure he
12 knows it's there.

13 And also in connection with that, as Your Honor
14 may recall, there was some testimony by Mr. Parker
15 concerning two additional documents which appear, at least
16 from my review, to be the letters which are quoted in
17 paragraphs 7 and 8 of the stipulated facts, which is Adams
18 41. At Your Honor's suggestion I provided copies of those
19 to counsel for RBI so they can confirm that the text is the
20 same. And if the text is not the same obviously we can
21 introduce the letters themselves. But that piece of
22 homework has been taken care of.

23 THE COURT: Thank you, Mr. Cole.

24 If I don't hear anything further from Mr. Hutton's
25 side on those letters, then I'll just assume that Adams

1 Exhibit 41 is accepted as true and accurate.

2 MR. COLE: Thank you, Your Honor.

3 One last item, with no small measure of
4 embarrassment I am reporting that the wonderful page
5 stickers that I prepared and distributed yesterday for Adams
6 13-A were lacking in terms of the last three stickers. That
7 is we did not have 74-A, 75-A, 76-A. I have, we determined
8 that when I was paginating the Reporter's copy last night,
9 that I came up three stickers short. I have run those three
10 stickers, I've distributed copies of the three stickers to
11 Ms. Parker, your legal assistant, and to Mr. Hutton and Mr.
12 Sifers. I will provide copies to Mr. Shook upon his
13 reappearance, and I will take care of paginating all of the
14 exhibits in the record today, so that will be done.

15 THE COURT: Two sets, the Reporter has --

16 MR. COLE: Two sets, yes. And I apologize for
17 that.

18 Finally and lastly, Mr. Bechtel sends his regrets
19 but he will not be here today.

20 THE COURT: I hope Mr. Bechtel is -- if it has
21 anything to do with his health, I hope he's feeling better.

22 MR. COLE: Thank you, Your Honor.

23 THE COURT: Mr. Hutton?

24 MR. HUTTON: Just one preliminary matter.

25 We had indicated yesterday that we wanted to

1 introduce into the record the final version of the
2 Management Services Agreement that was approved by the
3 Bankruptcy Court together with a related stipulation, and I
4 have that document here. I'd like to have that marked and
5 moved into evidence.

6 THE COURT: Fine, let's do that then.

7 Let me give you what I have here as the next
8 number, and if anybody has a different -- The last one that
9 we had marked as Reading 17, which is the proposed
10 accounting of the stock issuance. That's what we're going
11 to take up today.

12 MR. HUTTON: Right.

13 THE COURT: So this one would be 18 for
14 identification.

15 (The document referred to was
16 marked for identification as
17 Reading Exhibit 18.)

18 THE COURT: What is this document entitled?

19 MR. HUTTON: The title on our cover sheet is
20 Debtor's Motion for Approval of Management Services
21 Agreement and of Stipulation and Subordination Agreement,
22 Filed June 19, 1990, which contains a copy of the Management
23 Services Agreement dated March 21, 1990.

24 THE COURT: The Management Services Agreement
25 dated, what is the date of the agreement?

1 MR. HUTTON: And of Stipulation and Subordination
2 Agreement, I'm sorry. The date of the Management Services
3 Agreement is March 21, 1990.

4 THE COURT: 3/21/90. And the motion, the debtor's
5 motion is dated what?

6 MR. HUTTON: The debtor's motion was filed June
7 19, 1990.

8 THE COURT: 6/19/90. Okay. Just for my own
9 purposes. You've described it for the record. Let's mark
10 for identification as Reading 17, I'm sorry, as Reading
11 Exhibit 18, with how many pages are in that exhibit?

12 MR. HUTTON: Seventeen, Your Honor.

13 THE COURT: Thank you.

14 Is there any objection to receiving it into
15 evidence?

16 MR. COLE: One, I guess, objection. And an
17 observation. First, this was handed to us this morning. I
18 do not recall having seen this document before. I can't
19 state unequivocally that I've never seen it, because
20 obviously we've seen an awful lot of paper in this case so
21 far, but I don't recall seeing this, so I've not had an
22 opportunity to review it in detail.

23 One thing I do notice is that on page nine of the
24 exhibit, that is page four of the Management Services
25 Agreement, but it's page nine in the handwritten, lower

1 right hand corner of the exhibit, Paragraph Aii, there is a
2 reference to an Exhibit A to this Management Services
3 Agreement which does not appear to be attached to it, and
4 therefore the document as it's been at least tendered right
5 now, appears to be incomplete. I think it needs the Exhibit
6 A because the Exhibit A, according to the text of the
7 agreement, relates to an additional 12.5 percent stock
8 interest which was to go to Partel pursuant to this
9 agreement, and I think we ought to see that.

10 THE COURT: Mr. Hutton?

11 MR. HUTTON: I don't know that I've ever seen
12 Exhibit A, and I don't understand the relevance. The
13 Management Services Agreement, as I understood the argument
14 made as to the Management Services Agreement, the argument
15 was that the actions taken pursuant to that agreement
16 constituted an improper delegation of the licensee's
17 authority, i.e. a de facto transfer of control. And we're
18 introducing the document into the record to show that under
19 its terms it reserves appropriate authority to the licensee.

20 THE COURT: Well you see, you're getting too
21 narrow on this as far as an evidentiary ruling is concerned.
22 At a minimum, at a very basic minimum, it's going to be my
23 job in coming up with findings to determine that this is not
24 a rudderless ship, that there's somebody out there steering
25 this thing. In order to do that I have to understand

1 Partel, I have to understand the Management Services
2 Agreement. I need a full deck, okay? That's all. It's as
3 simple as that.

4 So I don't understand why there would not be an
5 Exhibit A attached to this Management Services Agreement if
6 it's referred to in the Management Services Agreement, and
7 apparently it's made a condition of the Management Services
8 Agreement.

9 Perhaps Mr. Parker can shed some light on it, or
10 you can consult with him and let me know.

11 MR. HUTTON: Mr. Parker believes that we can find
12 a copy of it.

13 MR. PARKER: Your Honor, we can provide a copy of
14 it.

15 THE COURT: That's all I need to know. That's all
16 I need to know.

17 I've said what I need and you're going to get it
18 for me. So I've had it identified for the record at this
19 point and we'll just reserve on the motion until the
20 attachment is found. You'll submit it with Exhibit A. This
21 will also give Mr. Cole an opportunity to further look at
22 the document.

23 MR. COLE: Thank you, Your Honor.

24 THE COURT: I expect this to be in the record by
25 tomorrow, certainly.

1 Okay, that takes care of, for the time being
2 anyway, 18. That is Reading's Exhibit 18 for
3 identification.

4 The next order of business should be I guess
5 Exhibit 17, am I right?

6 MR. HUTTON: Yes, I'd like to move that into
7 evidence.

8 THE COURT: Well, let's see what Mr. Cole has to
9 say about. And since you've made the motion again, let's
10 identify for the record what the document is.

11 It's entitled, what is it entitled and what does
12 it purport to do?

13 MR. HUTTON: It is entitled Reading Broadcasting,
14 Inc., Stock Ownership Comparison, and it purports to, well,
15 it contains five columns, six columns. The first column is
16 name of shareholder; the second column is how, or the number
17 of shares specified for a particular shareholder in the FCC
18 Form 316 filed with the FCC on I believe August 14, 1991.
19 The next column is the number of shares issued by the
20 corporation on October 15, 1991. The next column is the,
21 how the shareholders were listed in the FCC Form 315 filed
22 on I believe November 13, 1991. The next column is the
23 number of shares issued on December 31, 1991, correcting the
24 certificates issued on October 15, 1991. And the last
25 column is how the stock ownership was reported in the post-

1 consummation, ownership report filed I believe on April 16,
2 1992.

3 THE COURT: Okay. And basically, in a very short
4 description, how was the document prepared? What was the
5 message that you used to prepare the document?

6 MR. HUTTON: I'll let Mr. Sifers speak to that.

7 THE COURT: Mr. Sifers, please?

8 MR. SIFERS: Yes. I took the information that's
9 been introduced into the record. For example, in the first
10 column, the Form 316, the short form transfer of control
11 application that we've referred to numerous times. Part of
12 that application in one of the exhibits has a listing of who
13 the proposed shareholders would be after the application was
14 approved.

15 So I took that information, the names of the
16 individual shareholders, the shares that were listed, and I
17 just listed them down a column.

18 THE COURT: Is there an exhibit number? Is that
19 an Adams Exhibit?

20 MR. HUTTON: Yes, it is.

21 THE COURT: I think we should have it memorized by
22 now. It's in the 20s, I'll bet you.

23 (Laughter)

24 MR. HUTTON: Adams Exhibit 21.

25 THE COURT: Okay. I just want to make a note of

1 that.

2 That takes care of the first column. How about
3 the second column?

4 MR. HUTTON: The second column came from
5 information from the fourth column. We do that one first.
6 If you remember the share certificates, the share register
7 that we had, that was --

8 THE COURT: Twenty-four?

9 MR. HUTTON: Twenty-four.

10 THE COURT: That's from memory.

11 MR. HUTTON: At the top of those particular
12 registers was the information that's contained in column
13 five. Then as you get toward the bottom of the share
14 register it says it's correcting certain certificates issued
15 on 10/15/91. I took the information from the bottom portion
16 of the October 15, '91 and constructed the second column
17 which caused the share register to give the former
18 certificate number and the number of shares and the
19 shareholder's name. So that particular record supplied
20 information to both column two and column four.

21 THE COURT: Let me see if I follow that now.

22 With respect to, I see that you took certificates
23 issued on 10/15/91 to reflect on the corrected report within
24 the second column. That seems to be clear.

25 Then what did you do with the fourth column where

1 it says 12/31/91? Is that the data, the 12/31 data is
2 reported in that column?

3 MR. HUTTON: Yes.

4 THE COURT: All right. I see. That's clear
5 enough.

6 Then Form 315 --

7 MR. SIFERS: That was from Adams Exhibit 28.
8 That's the long form application. And what's actually on
9 that particular application is the shareholder name and the
10 percentage number. At that time the Commission's
11 application didn't require the ...[microphone moved]...
12 issue the number of shares, it only required the applicant
13 to issue the percentage of ownership. So I've listed the
14 percentage of ownership on that form back into the numbers
15 to get the number of shares for comparison purposes.

16 So that's my compilation where it says shares
17 based on percentage, the percentage column is actually on
18 the form. I just provided that just for comparison purposes
19 so we can compare all the columns.

20 THE COURT: All right, I understand. That's fine.
21 So the Form 315 is just going to show the percentages.

22 MR. SIFERS: Yes.

23 THE COURT: And you supplemented that with the
24 actual number of shares that are attributed to --

25 MR. SIFERS: Yes.

1 THE COURT: That's on a shareholder's base by
2 name. Then the fifth column, the last column.

3 MR. SIFERS: That's the post transfer report. I
4 know that's in Reading's Exhibit 11.

5 THE COURT: Do you know what tab in 11?

6 MR. SIFERS: We have a number of ownership reports
7 in Exhibit 11, and that is the, after the fourth blue
8 separator in Reading's Exhibit 11.

9 THE COURT: Okay. And these are ownership reports
10 essentially.

11 MR. SIFERS: Yes. That's the post transfer
12 ownership report. Again, those numbers were taken, the
13 shareholder's name and the particular shares that were
14 listed in the exhibit there, those were just listed and
15 transferred from the actual document.

16 THE COURT: So that was just, you're just
17 transposing what's in the ownership report to this column.

18 MR. SIFERS: Yes.

19 THE COURT: Mr. Cole?

20 MR. COLE: Your Honor, a couple of things.

21 First, for the record we should note there are at
22 least two typographical errors. One is about two-thirds of
23 the way down the page, three-quarter, Hugh Morris, I believe
24 should be Hugh Norris with an N rather than an M for his
25 last name. And Mr. Sifers can confirm that's correct, but I

1 believe that's correct.

2 THE COURT: I don't find that. Where is it?

3 MR. COLE: In the far left hand column, again,
4 about three-quarters. Start from the bottom. Start from
5 Partel and work up. Fifteen names up from the bottom.

6 THE COURT: I see it.

7 MR. COLE: It says Morris and that should be Hugh
8 Norris with an N, I believe.

9 THE COURT: I've got a Mark Norris with an N.

10 MR. COLE: Keep going up, farther up.

11 THE COURT: I see it. Yes.

12 MR. SIFERS: I have it as Hugh Morris on page
13 seven of Adams Exhibit 21, page seven, attachment.

14 MR. COLE: I'm looking at the stock certificate.

15 MR. SIFERS: You mean the stub on Exhibit 24?

16 MR. COLE: Yes.

17 THE COURT: Maybe that's where the error was made,
18 on the stub.

19 MR. SIFERS: The stub shows Norris.

20 THE COURT: Maybe Mr. Parker can shed some light
21 on that. Do you know the man?

22 MR. PARKER: No, Your Honor, I don't. I can find
23 out and get it corrected.

24 MR. COLE: It's not a major point, Your Honor, I
25 just want the record to be clear.

1 THE COURT: No, we want to get it right.

2 MR. SIFERS: The latest ownership report that was
3 filed for 1999, it's the last ownership report in Reading's
4 Exhibit 11 which contains shareholder records, it has the
5 name as Norris.

6 THE COURT: Like N in Nevada?

7 MR. SIFERS: Yes, N in Nevada.

8 THE COURT: Well why don't we change it on this
9 exhibit. Be sure you give the Reporter assistance on this.
10 We'll carry that as Hugh Norris, like N in Nathan.

11 What's the next one?

12 MR. COLE: Two entries up, Carol Ann Kasko. I
13 just want to inquire from Mr. Sifers as to where he got the
14 number 25 in the second column for the certificate, the
15 original certificate number 25. Because as I review the
16 stub for certificate 35A, which would normally be the source
17 authority as I understood what he said for the original
18 certificate numbers, there is 25 in that, on that stub.

19 THE COURT: Let's go off the record while Mr.
20 Sifers --

21 MR. SIFERS: I can't give you a specific, who I
22 specifically talked to. I know my first inclination was
23 when I was going through these certificates, was it appeared
24 that that particular register was not filled out properly,
25 and when they got down to number of original certificates

1 they actually inserted what appears to be the number of
2 original shares.

3 I called someone at the station, and I don't
4 recall now who it was to confirm. I don't have that
5 document, I just recall it from memory. So I can't give you
6 a better explanation than that.

7 THE COURT: Are you going to continue to try to
8 get more definitive information on it, or what can you do?

9 MR. SIFERS: Can we go off the record?

10 THE COURT: Sure.

11 (Discussion off the record)

12 THE COURT: On the record.

13 MR. SIFERS: If you go down through the share
14 certificates, how they were issued, and look at the ordering
15 of the original share certificates, logically it would
16 follow that that would be share number, original certificate
17 number 25. It doesn't say that on the certificate, but that
18 would be a logical inference.

19 I believe it was Ms. Barbara Williamson at the
20 station who I spoke with who handles a lot of the
21 bookkeeping records, etc., who confirmed with me by phone
22 that that would have been the original certificate number.

23 THE COURT: Did she use logic to come up with that
24 answer or did she actually --

25 MR. SIFERS: As I recall, she put me on hold and

1 went and looked at some information and came back and told
2 me the answer.

3 THE COURT: And said it was 25.

4 MR. SIFERS: Yes.

5 THE COURT: All right.

6 MR. COLE: Your Honor, I'm a little bit troubled
7 by that because on December 2nd Mr. Hutton advised us that
8 Reading has not been able to locate any prior stock
9 registers. I presume such records no longer exist. That's,
10 if there are records, former stock records, I think we were
11 entitled to them some time ago and we shouldn't have dig
12 around in the bowels of this, of Mr. Sifers' charts to
13 determine that some such records may exist.

14 MR. HUTTON: Your Honor, I'd like to speak to
15 that.

16 THE COURT: Go ahead, Mr. Hutton.

17 MR. HUTTON: The records that Ms. Williamson
18 referred to I don't think were a prior stock register.

19 I'd also like to point out, Your Honor, that in
20 the sequence of the certificates that were introduced by
21 Adams, this one appears between number 24 and number 26
22 which leads to a pretty logical inference that this one
23 would be number 25.

24 THE COURT: I'm not trying to fight the logic in
25 all this, but if there's some definitive information, that's

1 what I would prefer to see.

2 What I'm going to do is, I'm going to hold that
3 -- I'm not going to let that slow this thing down, but I
4 want you to find out what Ms. Williamson, exactly what
5 record did she consult and make a representation on the
6 record as to what she had told you. Then we'll take it from
7 there.

8 I'm hoping that Mr. Cole absolutely has no, that
9 there's nothing to what Mr. Cole says about there being more
10 stock transfer records that haven't been produced. I'm
11 hoping that's not going to be the answer.

12 MR. SIFERS: From what I've been able to determine
13 that's not the case.

14 The other point I'd like to make is the relevance
15 of that. What we seem to be discussing, or what seems to
16 be what we're trying to get to the facts of are those
17 shareholders that were previously approved by the
18 Commission. They appear at the top of this chart. We have
19 not argued, nor do we now, that Ms. Kasko was someone who
20 was previously approved. She's going to be in the column of
21 numbers of people who were not previously approved, so if
22 anything she helped the other side in terms of being a
23 number added to the side of people who weren't previously
24 approved.

25 THE COURT: Again, I'm just --

1 MR. SIFERS: So I question the relevance of --

2 THE COURT: Of what?

3 MR. SIFERS: Of why we need to get, whether we
4 need to get some additional information on Ms. Kasko.

5 THE COURT: It's for my purposes. I want to rely
6 on this chart, and if there's some thing or things in there
7 that are not accurate, then that starts to make me think a
8 little bit, you know?

9 So the more reliability that I can place on this
10 chart the better it's going to serve you. So let's see if
11 we can clear it up. I'm just asking you to just clear up
12 the phone call. That's all. I don't think I'm making a
13 federal case out of this.

14 Okay. What else do you have, Mr. Cole?

15 MR. COLE: Well, Your Honor, those are just the
16 technical objections.

17 The more fundamental objection I have to the
18 entire exhibit is that it's not evidence. This is, as Mr.
19 Sifers described it, nothing more than a compilation of
20 information which he has derived from evidence elsewhere in
21 the record, and therefore it's exactly what we have proposed
22 conclusions for.

23 If you want to pull it together in this way, I
24 encourage him to keep this chart in his computer and to pull
25 it out and put it in his conclusions, but it's not evidence.

1 It is not -- It does not advance the record in any way in
2 terms of adding new facts to the record.

3 Moreover, it includes a fair amount of significant
4 interpretation on the part of Reading Broadcasting. Again,
5 Mr. Sifers is quite candid in disclosing that what they're
6 trying to demonstrate is where the originally, the
7 previously approved shareholders, the originally approved
8 shareholders, kind of ended up at each stage of the various
9 transactions at the end of 1991, presumably with the purpose
10 of showing that at no point did the magic 50 percent mark
11 ever get crossed, and that's the purpose, I assume, of the
12 line across the middle of the page, percent ownership by
13 shareholders previously approved.

14 The trouble is that they have included on their
15 own, in the upper portion, that is as a shareholder
16 previously approved, STV Reading, Inc. And STV Reading,
17 Inc., was not a previously approved shareholder. It had
18 never appeared, as far as I'm aware, in any ownership
19 reports, and it was not even included in the 316 in August
20 of 1991. It was, however, issued shares in October of 1991.
21 A fairly significant number of shares.

22 If you were to subtract the number of shares
23 credited to STV Reading from the top portion of the chart
24 and put it in the bottom portion of the chart, the number
25 -- I'm sorry, in the shares issued at 10/15/91 column, and

1 the row reading percent ownership by shareholders previously
2 approved. If you were to subtract the STV Reading interest
3 out of that, by my calculation the 51.6 percent number
4 becomes somewhere around 46 percent, which as I recall, is
5 less than 50.

6 To the best of my knowledge, there is no evidence
7 in the record which supports or certainly conclusively
8 establishes or to my way of thinking even supports the
9 notion that STV Reading should have been included as a
10 previously approved shareholder.

11 On that basis, I think that again, if they want to
12 make that conclusion in their proposed conclusions, I have
13 no objection to that. We will respond to it accordingly and
14 Your Honor can make the call in his decision. But it
15 certainly does not belong in the record as evidence.

16 THE COURT: Let me hear from Mr. Hutton with
17 respect to this STV.

18 Mr. Cole is challenging the accuracy of your chart
19 with respect to reporting STV up at the second column for
20 shares issued on October 15, 1991.

21 MR. HUTTON: I had anticipated such an objection,
22 Your Honor, and we have a copy of the stock records for STV
23 Reading, Inc. which I would ask to move into evidence in
24 response to Mr. Cole's concern.

25 THE COURT: How -- What's the nature of the stock

1 records that you have? How many pages are you talking
2 about?

3 MR. HUTTON: I would estimate it's approximately
4 30 pages, 47 pages, most of which are blank, or many of
5 which are blank. There are really I think six certificates
6 that are filled out.

7 THE COURT: Stock certificates?

8 MR. HUTTON: Yes. Or are they stubs? Both the
9 stubs and the certificates. And they show that at all times
10 in question Dr. Aurandt who was a previously approved
11 shareholder, was the majority stockholder of STV Reading,
12 Inc.

13 THE COURT: These are stock certificates of STV
14 Reading?

15 MR. HUTTON: Yes.

16 THE COURT: How does that tie -- I understand
17 that. All right. Let's put that on the shelf.

18 But is it reported in Adams Exhibit 24 that STV
19 Reading, Inc. was issued 17,674 shares on October 15, 1991?

20 MR. HUTTON: Yes.

21 THE COURT: Mr. Cole, is that right?

22 MR. COLE: I'm sorry, Your Honor. What was your
23 question?

24 THE COURT: I wanted to know, Mr. Hutton confirms
25 that as Exhibit 24 reflects that on October 15, 1991, STV

1 Reading, Inc. received 17, 674 shares.

2 MR. COLE: I believe that's correct, Your Honor.

3 THE COURT: Then I don't understand what the basis
4 of your objection is.

5 MR. COLE: My objection, Your Honor, is, that if
6 Adams, and I don't know what the exhibit number is, but it's
7 the minutes of the October 30, 1991 shareholders meeting of
8 Reading Broadcasting, Inc. reflect that Mr. Parker held
9 himself out at that meeting as President of STV Reading,
10 Inc., and voted its shares.

11 Now as you will recall, Your Honor, the October
12 30, 1991 meeting of Reading Broadcasting, Inc. was fairly
13 stridently opposed by Dr. Aurandt who, as I recall, is shown
14 as having boycotted the meeting or having not attended the
15 meeting and having sent in counsel to oppose the meeting.

16 Similarly, February 4, 1992, there was another
17 shareholders meeting of Reading Broadcasting, Inc. which
18 again Dr. Aurandt and Mr. Linton opposed through counsel,
19 and again at that meeting the minutes reflect that Mr.
20 Parker held himself out as president of STV Reading, Inc.
21 and voted the stock.

22 Further, Mr. Parker yesterday in his testimony
23 was, when asked who owned STV Reading, Inc., and the record
24 will speak for itself and I'm not trying to mischaracterize
25 his testimony, but my recollection is that he said well, now

1 or then, and I guess my testimony as to what I understand
2 now would be something, his testimony clearly indicated that
3 there was at least some divergence of view as to who owns
4 what, but that he had formulated a view which is propounding
5 now that Dr. Aurandt owned it at all times.

6 Further, as Mr. Hutton well knows, Mr. Linton up
7 in Reading was deposed I believe in October or November and
8 was asked about the ownership of STV Reading, Inc., and his
9 testimony which was submitted to Your Honor in at least one
10 pleading by Adams, was as follows. This is from page 61 of
11 Mr. Linton's deposition.

12 The question is, "Mr. Linton, do you know the
13 circumstances under which Mr. Parker arrived at this
14 meeting," meaning the October 30, 1991 meeting, "with the
15 proxy of STV Reading?"

16 Answer: "I'd have to look at something but I
17 presume he got it from Massey, Harvey Massey, Pavloff and
18 Busby, because they had acquired I think like 9.9 percent of
19 the stock of STV Reading. But there was a dispute whether
20 that was 9.9 or all of it. In my judgment at the time,
21 because I represented Dr. Aurandt and his interests and my
22 loyalties were to him, it was 9.9."

23 So I think this is, again, further testimony or
24 further indication that there was a clear question as to who
25 actually controls STV Reading for purposes of voting the

1 stock in Reading Broadcasting, Inc. during the relevant
2 period that we're looking at.

3 There is further indication, documentary in the
4 record, if you look at the settlement agreement, which
5 appears as Adams 27, there is a provision again which Mr.
6 Parker testified about during his Cross-Examination I
7 believe two days ago, concerning his resignation as
8 president and I believe director of STV Reading. That
9 occurred, that document I believe was executed in late 1992,
10 and it was made retroactive.

11 But still, the retroactivity of the agreement does
12 not alter the history of the fact that as of October 30,
13 1991, the records indicate, the document and record
14 indicates that Mr. Parker was voting the stock which was,
15 voted the RBI stock which was held in the name of STV
16 Reading, Inc., and he was voting in a manner which is flatly
17 inconsistent with the position Dr. Aurandt was taking at the
18 October 30 meeting and the February 4 meeting.

19 For that reason I think it's entirely
20 inappropriate to include a chart, or to include in the
21 record as supposed evidence, a chart which purports to
22 reflect that STV reading was a previously approved
23 shareholder.

24 THE COURT: As a matter of bookkeeping, as far as
25 the records of the company show, Reading Broadcasting being

1 the company, the Reading Broadcasting records do reflect as
2 its appearing here on the chart with respect to STV Reading,
3 is that correct?

4 MR. COLE: What the records show -- I'm not trying
5 to be cute about this.

6 THE COURT: I'm not either.

7 MR. COLE: The record clearly indicates that yes,
8 17,674 shares of Reading Broadcasting stock were issued to
9 an entity called STV Reading, Inc. on or about 10/15/91.

10 THE COURT: That's all this chart purports to
11 represent.

12 MR. COLE: No, Your Honor. Because if you look
13 down -- Again, what Mr. Sifers is quite up front about, and
14 I certainly don't fault him for that. The purpose of the
15 chart is not simply to reflect the stock ownership. The
16 purpose of the chart is to show stock ownership at the top
17 of the page, supposedly by people who had previously been
18 approved by the FCC, and they have included STV Reading,
19 Inc. in that batch, as opposed to the folks down at the
20 bottom of the page who had not been previously approved by
21 the FCC. That is the point of the chart. The chart is not
22 simply a compilation of numbers. Those numbers are
23 organized in a manner which I guess is the primary source of
24 my complaint.

25 If they want to take that line item of STV

1 Reading, Inc. and move it down to the bottom of the page,
2 then I'm a happy camper.

3 THE COURT: And move it down to where?

4 MR. COLE: Move it down to --

5 THE COURT: -- previously approved?

6 MR. COLE: Below the percent, below the line item
7 beginning percent ownership by shareholders previously
8 approved, and then adjust the figures, adjust the
9 calculations in that line item accordingly, I have no
10 problem.

11 THE COURT: What do the figures show below that
12 line, Mr. Sifers?

13 MR. SIFERS: The figures below the line are the
14 stockholders who were issued stock at various points who
15 were not previously approved by the Commission. And to do
16 what Mr. Cole would ask us to do would make the chart
17 incorrect.

18 THE COURT: I'm trying to be sure that I
19 understand the chart.

20 If you were to give a heading to just above the
21 name David Hyman. If you were giving a heading to that,
22 that's almost a separate chart, right? And that would be
23 entitled shareholders issued stock that was not approved by
24 the Commission? Is that how you would --

25 MR. SIFERS: New stockholders.

1 THE COURT: As of what date? New stockholders as
2 of --

3 MR. SIFERS: Well, as of --

4 THE COURT: Or after. As of or after.

5 MR. SIFERS: As part of Reading going from debtor
6 in possession to an operating company. That's part of that
7 transaction to --

8 THE COURT: You know what I think I'd like to see
9 you do? I'll tell you, these computers are so great. Is
10 why don't you take that bottom part and make that into a
11 second page of Exhibit 17, and give it exactly the heading
12 that describes what you say it represents.

13 MR. SIFERS: Okay.

14 THE COURT: It would also then get it onto 8-1/2
15 by 11 paper so it will -- That's going to be good. Then
16 we'll take it up again.

17 As far as I'm concerned, however, the way I'm
18 accepting, the way I would accept this exhibit, and I think
19 it's very helpful and I commend you for doing it. What it
20 represents is, it's a snapshot version of what the transfer
21 records of the company is going to show.

22 MR. SIFERS: Yes.

23 THE COURT: Also tied in with columns in terms of
24 how that was reported to the Commission at the various
25 times. That's all that I would receive it for and that's

1 all I would use it for. But in light of what the experience
2 of going from Document A to B to C to D at different pages,
3 this is a very much more simplified version of the overview.

4 MR. COLE: Your Honor, I have no problem with the
5 document for that purpose. And to be perfectly honest,
6 we've done the same with spreadsheets in our office which
7 made it a lot easier to check last night.

8 If it's going to go in the record, though, for
9 that purpose and that purpose only, and if Mr. Sifers is
10 going to be tweaking it in his computer this afternoon, then
11 I would also suggest then we just strike the two lines
12 reading "subtotal of shares held by shareholders previously
13 approved by the Commission", we strike the line "percentage
14 ownership by shareholders previously approved", and we have
15 all of the shareholders put in alphabetical order.

16 MR. HUTTON: Your Honor, Mr. Cole may want to
17 rewrite our exhibit, but he's free to write his own
18 exhibits.

19 THE COURT: I understand. This is their exhibit.
20 I don't know why -- it's not in alphabetical order, but I
21 don't know -- Is there some reason why they're not in
22 alphabetical order or is this --

23 MR. SIFERS: I took it basically off, whichever
24 one of the forms that I started with and how they were
25 listed on that form as a starting point. Because generally

1 they were listed in some type of order, but they weren't
2 always listed in the same order, so I just went with one and
3 followed that.

4 THE COURT: Well, for our purposes I'm not going
5 to get into the alphabetizing, but --

6 MR. COLE: Well, Your Honor, the fact of the
7 matter is that there is an editorial, substantive
8 determination reflected in the organization of their listing
9 of the shareholders with respect to STV Reading, Inc., which
10 is in our view inaccurate, and not supported by the
11 evidence, and does not belong in an exhibit introduced as
12 evidence in this proceeding.

13 Again, if they want to put this in as conclusions,
14 I have no objection to it. It will be just as helpful to
15 Your Honor and all the parties in formulating reply findings
16 and then ultimately a decision and on appeal. But to
17 include as an evidentiary exhibit a document which contains
18 an apparent representation that STV Reading, Inc. is somehow
19 accreditable to Dr. Aurandt when there is substantial
20 evidence to the contrary I think is inappropriate.

21 MR. HUTTON: Your Honor, I'd like to speak to
22 that.

23 As I indicated previously, that's a pretty simple
24 matter. We've got the stock records for STV Reading, Inc.,
25 and I want to introduce those into the record and then we

1 won't have any argument.

2 THE COURT: Well, I'm going to get to that, too.
3 My mind has to focus on one line at a time.

4 What I want to do, Mr. Sifers' going to go back
5 and make that modification.

6 What about the subtotal of shares held by
7 shareholders of record previously approved by the
8 Commission? That would tell me that this is what the record
9 of the company shows, and that's all I want to see it for.

10 You're nodding yes. Would you be agreeable to
11 make that modification? Do you see what I'm saying?

12 MR. SIFERS: Yes. If I understand what you're
13 saying, that's what this reflects right now.

14 THE COURT: I know, but I'd like it to say it.

15 MR. SIFERS: To say what?

16 THE COURT: The descriptive block below the name
17 John and Jill Bower in the middle of the page. Subtotal of
18 shares held by shareholders, and I would just insert "of
19 record", previously approved by Commission. You can leave
20 the word "the" out.

21 MR. SIFERS: That's fine.

22 MR. COLE: Your Honor, STV Reading, Inc. had never
23 been approved by the Commission prior to February of 1992.

24 MR. HUTTON: Your Honor, we have stock
25 certificates for the company showing that it was Dr.

1 Aurandt's company.

2 MR. COLE: Your Honor, if they can show me a
3 document from the FCC reflecting that STV Reading, Inc. had
4 been approved by the Commission as a shareholder prior to
5 February 1992, then I have no objection to leaving that line
6 item where it is above that descriptive section you just
7 described.

8 THE COURT: Let me see if I understand you then.
9 What you're saying is, let me step back a little
10 bit.

11 When Adams Exhibit 24, that's the application?

12 MR. COLE: 24 is the stock register.

13 THE COURT: Stock register. Okay.

14 The stock register reflects these certificates.
15 Where do you find -- Okay, let me ask this of Mr. Sifers
16 then.

17 Where do you, on what are you basing the language
18 previously approved by the Commission?

19 MR. SIFERS: Under the Commission's attribution
20 rules, Section 73.3555, the Commission attributes ownership
21 of entities, attributes to an entity that is owned
22 substantially by someone to that person. The same as, as an
23 analogy to make it simpler, you'll notice up here for some
24 of these individuals, for example Dr. Aurandt has an entity
25 called Dr. Aurandt Trustee, for the retirement fund here.

1 Because it goes to that individual, those are deemed by the
2 Commission to be someone previously approved.

3 In other words, when I file an ownership report
4 for a client and he has decided to take some of the stock
5 that he owns or a company that he owns and reorganize it to
6 company, we list that as part of his ownership, that he owns
7 a majority of that under Section 73.3555. If Dr. Aurandt
8 owned 90 percent of STV Reading, Inc., whether it was called
9 Dr. Aurandt, Inc., ABC Inc., STV Reading, Inc., whatever, we
10 would deem that, under the Commission's rules, to be Dr.
11 Aurandt since he was previously approved by the Commission.

12 THE COURT: You keep going into this word
13 previously approved by the Commission. How -- There's no,
14 you're not going to find an order in the file or something
15 that's going to show approved, there's been an actual act of
16 the Commission approving this, are you? That's not what
17 we're talking about.

18 MR. SIFERS: No. What you find is --

19 THE COURT: The word approved is what's giving me
20 the problem.

21 MR. SIFERS: Prior to the filing of the short form
22 application there were stockholders in Reading Broadcasting.

23 THE COURT: Yes, I understand that.

24 MR. SIFERS: Those individuals would be deemed
25 approved by the Commission --

1 THE COURT: Who deems them approved? How do you
2 read that part, that phrase of the sentence? That's what's
3 getting to me.

4 MR. SIFERS: As the Commission considers an
5 application of an applicant who has stockholders, when the
6 Commission approves that application that lists those
7 stockholders, that entity, the licensee, has been approved
8 with those stockholders.

9 As you go forward with a change of ownership, you,
10 under certain circumstances, have to file a transfer of
11 control application or an assignment application.

12 One of the things that you have to do as an
13 applicant is distinguish between individuals who have
14 already gone through the process on a previous application
15 for that licensee and also identify new people who are
16 coming in who have a transfer of control, for example.

17 So what you do to determine whether or not there
18 has been a transfer of control that requires an approval,
19 you list as they did in the various applications -- You list
20 the individuals who were previously approved. In other
21 words, they had gone through a prior application; and you
22 list those people who you were --

23 THE COURT: Well, okay. The terminology here has
24 got me bothered. If you, let's say if you slip something in
25 and it gets by the Commission on a review of an application

1 and they accept it, then you can go around and tell people
2 that it was approved? Is that what we're talking about?
3 Not that that happened here. I'm trying to find out what --
4 If it's disclosed to the Commission, if it was in the filing
5 of the Commission, fine, I can deal with that. But
6 approval, I don't know why we have to use that word. It was
7 part of the filing.

8 MR. HUTTON: Your Honor, I'd like to speak to
9 that. That terminology comes from FCC Form 316. That form
10 requires you, if you're doing what purports to be a non-
11 substantial transfer of control, then that form calls for
12 you to list stockholders previously approved and new
13 stockholders. So that's how this terminology came in.

14 THE COURT: I see. So previously approved in the
15 sense that the application that was submitted to the
16 Commission was approved, so it's a way of describing who
17 these people are as opposed to saying they were approved on
18 the merits one by one.

19 MR. HUTTON: That's right.

20 THE COURT: So it is a terminology.

21 MR. COLE: But it's not terminology, Your Honor,
22 because their position is that STV Reading, Inc. has been
23 previously approved based on the notion that, their
24 assertion that Dr. Aurandt owns it, but the evidence of
25 record clearly demonstrates at a minimum that there was a

1 substantial dispute as to who actually voted the stock of
2 STV Reading, and in fact the evidence conclusively
3 demonstrates that Mr. Parker himself voted the stock in
4 opposition to Dr. Aurandt at two meetings of Reading
5 Broadcasting, Inc. stockholders, one on October 30, 1991;
6 the second on February 4, 1992.

7 Now if they want to claim that Dr. Aurandt
8 controlled STV Reading, Inc. for purposes of taking credit
9 for this, I'm at a loss to understand how they can say that
10 when the STV Reading stock was being voted in direct
11 opposition to Dr. Aurandt's wishes at those two meetings.

12 MR. HUTTON: Your Honor, I'd like to speak to
13 that.

14 Mr. Cole is mixing up apples and oranges. There's
15 the apple of ownership and then there's the orange of
16 voting. And if Mr. Parker voted the stock as president, as
17 an officer of the company, that doesn't mean he owned it.
18 That doesn't mean that Dr. Aurandt transferred ownership to
19 him, and if there's a question about ownership we can clear
20 it up because we've got --

21 THE COURT: That could be done by proxy, right?
22 If you're voting somebody else's shares.

23 MR. HUTTON: Exactly.

24 So we can clear up the ownership issue, the apple,
25 with the stock record which we've brought here.

1 THE COURT: Is there a proxy to take care of the
2 orange?

3 MR. HUTTON: Mr. Parker is here and he could speak
4 to that better than I could.

5 THE COURT: Is there something in the record
6 showing the proxy? Before he says anything, is there -- How
7 do you get a proxy from somebody?

8 MR. HUTTON: The only thing in the record showing
9 a proxy was that I think the minutes in question indicated
10 that Mr. Parker was voting the stock per proxy.

11 THE COURT: But he's here to explain, all right.
12 I'm taking this as though you're under oath, Mr.
13 Parker.

14 MR. PARKER: Okay.

15 Your Honor, I think I testified either yesterday
16 or the day before about STV Reading, Inc., and indicated
17 that I had voted at both the shareholder meetings in
18 question the stock of STV Reading, Inc. incorrectly.

19 I had the proxies issued to me of 9.9 percent of
20 the company. At the time I was under the impression that
21 that was 100 percent of the company and I did a resolution
22 in lieu of a Board meeting based on those proxies and
23 elected myself as president.

24 In the, at neither of those meetings did the
25 voting of those shares one way or another change the outcome

1 of the meeting. The outcome was overwhelming in both cases.

2 THE COURT: In what direction?

3 MR. PARKER: Overwhelming in my favor at both
4 meetings.

5 When Dr. Aurandt and I sat down at the settlement
6 table and he produced the records of STV Reading, Inc., the
7 documents that we're talking about, the stock certificates,
8 it became very clear that originally Dr. Aurandt had, and
9 I'm going clear back to the beginning of STV Reading, Inc.,
10 had been issued 1,000 shares as founder of the company. He
11 had then gone out to a number of shareholders, most of whom
12 are now on this chart as the new shareholders of Reading
13 after coming out of bankruptcy.

14 THE COURT: Is that the bottom of this chart?

15 MR. PARKER: That's the bottom of the chart. Most
16 of these people invested with Dr. Aurandt. They paid money
17 to Dr. Aurandt in forms of a loan that were to be converted
18 into STV Reading, Inc. stock. That stock conversion never
19 took place because, frankly, STV Reading, Inc. was an
20 unsuccessful company and before he issued the shares they
21 went over.

22 THE COURT: I thought it was more like a holding
23 company. Was it any more than a holding company?

24 MR. PARKER: Basically what they did was they went
25 into the business almost like we would call it as an LMA.

1 They purchased time from Reading Broadcasting, they put
2 boxes on people's TV sets, and they ran movies, most of
3 which were either -- I've never seen the programming, but
4 it's been described as soft porn or hard porn, depending on
5 your opinion.

6 What happened in those days, the technology was
7 such that everybody in town had a black box they'd bought
8 for \$19.95 down at the local Radio Shack instead of buying
9 it from STV and they went under.

10 He was sued by four of those shareholders, or four
11 of those investors because he had never issued the shares,
12 and he issued the shares to those people which represented
13 9.9 percent of STV Reading, Inc., and he canceled his share
14 certificate with the 1,000 shares and reissued a share
15 certificate for I think it was 900 and --

16 THE COURT: The reissued shares are what is going
17 to show up in this document.

18 MR. PARKER: There never were more than 1,000
19 shares. He had 1,000 shares originally. He canceled that
20 certificate, issued four certificates to them and a fifth
21 certificate to himself that represented 906.6 shares. So he
22 never owned less than 90 percent of STV Reading, Inc.

23 In the final settlement agreement which is Adams
24 Exhibit 27, which was entered into by myself and Dr. Aurandt
25 in August of 1992, so long before Mr. Cole came on the

1 scene, and we were dealing with the issues of Reading
2 internally.

3 In the settlement agreement it was very clear that
4 Dr. Aurandt owned STV Reading, Inc. I resigned in this
5 document as president, because I never was president, and I
6 got an indemnification against lawsuit from Dr. Aurandt on
7 that issue.

8 THE COURT: You resigned as president of what
9 entity?

10 MR. PARKER: Of STV Reading, Inc., effective the
11 day before I elected myself. In other words, we made it
12 retroactive so that it was clear that, in this document I
13 went back to the time before the actual election. In other
14 words, I resigned before I was elected in the document.
15 It's on page 26 of that Adams Exhibit 27.

16 THE COURT: But this all has to do with you
17 thinking that you were president of STV Reading, Inc.?

18 MR. PARKER: Originally what I did was, I was
19 not --

20 THE COURT: Counsel is nodding yes.

21 MR. PARKER: Oh, yes.

22 THE COURT: See, what I'm having problems with.

23 MR. PARKER: I apologize.

24 THE COURT: That's all I was trying to do.

25 Now what question did I ask you that you were

1 giving me that long answer to?

2 (Laughter)

3 MR. PARKER: I think I was trying to explain the
4 events around the issuance of the stock of, to STV, who
5 voted it and who owned it.

6 THE COURT: Okay.

7 Mr. Cole?

8 MR. COLE: Mr. Parker has made my case for me. As
9 I understood his testimony just right now, he said that when
10 he issued the stock in October of 1991 and appeared at the
11 meeting in October 30, 1991, he was under the impression
12 that the people he was dealing with in STV Reading, Inc.
13 owned all the stock and he had their proxies and therefore
14 voted himself president. So that when he issued the stock
15 in October of 1991, he wasn't issuing stock to Aurandt, he
16 was issuing it to the people who had given him the proxy so
17 he could vote himself president and then vote the stock.

18 The fact that a year later they sit around the
19 settlement table and agree, okay, we're going to kind of
20 wash out all our problems and come to agreements among
21 ourselves and make all our internal problems go away is
22 irrelevant to the history of what actually happened in
23 October of 1991 through February of 1992.

24 During that period of time, Mr. Parker, who issued
25 the stock in October of 1991, has stated this morning that